

ANALYSIS OF THE IMPACT OF CONTROLLING ON ENTERPRISE MANAGEMENT

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Abstract: Information regarding an enterprise should be drawn and obtained from a variety of sources, but the accounting system should be considered as the primary source of economic information. The informational function of accounting is the oldest function performed by accounting. This function goes some way to explaining the essence of accounting as a series of activities that transform data into the form of information used for the management of a particular enterprise, and at the same time for accounting to perform other functions, especially controlling and analytical.

Keywords: controlling, management, enterprise, finance, business measurement.

1. Introduction

Management of modern enterprises involves the need to systematically improve their efficiency and competitiveness. They are a prerequisite for the survival and development of business entities. High efficiency is associated with the rational use of the resources held. This use is determined not only by high-level management, but depends largely on the behavior of all employees. Management, therefore, requires that all employees be made aware of the goals the company is striving to achieve and their impact on the company's economic results. The effectiveness of an economic entity in achieving its goals is the result of, among other things, the compatibility of the tasks carried out by internal organizational units with the final goals of the enterprise.

Conformity between the specific goals of internal organizational units and the goals of the entire business entity can be achieved through the introduction of financial controlling. It is

a method of management based on the inclusion of lower levels of management, even entire teams of employees to share responsibility for the financial performance of the enterprise. Thanks to it, managers and specialists are forced to constantly learn and adapt the business to the changing environment. This is a method that has been used for many years in countries with developed market economies. It makes enterprises more resistant to crisis phenomena. A well-functioning controlling system reveals early emerging risks and makes it possible to prevent the emergence of undesirable consequences.

2. Financial statements and cost accounting as the primary source of information about the finances of the enterprise

The financial statement is the final product of the financial reporting process. It is the result of measuring the activities carried out periodically by the enterprise. Of the reports generated by business entities, financial statements are the most widely used by external users. As a result, the quality of reporting information is now seen as a key point of interest for internal and external users of financial reporting. The usefulness of information is based on its usefulness and reliability. The quality of reporting information is heavily influenced by the measurement of value in accounting. Reliable valuation is seen as the basis for accurate decisions [Kaczmarczyk, 2015, p.535].

The term "reporting" describes the totality of reports created by companies. Financial information is now one of the more necessary information in the business market. Financial statements are part of reporting. The Accounting Law does not provide a definition of financial statements. Instead, its Article 45, paragraph 2 defines its elements, which are:

- balance sheet,
- profit and loss account,
- supplementary information.

A company's financial statements can also be defined as "a systematized set of selected information, created both by accounting and outside of it, characterizing the past and present financial and asset situation of an economic entity and the amount of the achieved financial result, as a result of the activity of this entity." This information is prepared for the internal and external needs of the enterprise, and its recipients include investors, creditors, management, government institutions, customers and contractors, as well as employees. Each of these groups, has specific objectives, although investors - they calculate the risks arising from the

involvement of capital through this the government can plan budget revenues, and employees - assess the possibility of a possible raise [Narkiewicz, 2002, p.79-80].

Financial information can be obtained from a variety of sources such as accounting records, company statistics or accounting records. However, the primary source of information is undoubtedly the financial statements just discussed. For this reason, analysis of the data that is included in the financial statements is the main research method that is used in financial analysis. Data analysis is called financial statement analysis. It focuses on the processing and analysis of data from the financial statements. Its purpose is to evaluate the assets, financial position and results that an enterprise has recorded in the past year or other period. It provides an opportunity to comprehensively assess the financial situation of the business entity and find potential irregularities that operate in it to improve further processes. The analysis of financial statements also makes it possible to compare the activities of an entity to other entities [Nowak, 2008, p.33].

According to Bednarski, financial reporting can be divided into factual reporting and financial reporting. Financial reporting is used primarily for financial analysis, while factual reporting is the primary source of knowledge for techno-economic analysis. Business entities wishing to comprehensively evaluate a selected issue use both types of reporting [Bednarski, 2004].

Reporting cannot cover all information, if only because of its limited capacity. Hence it is important to select the relevant information, group it into specific sets and subsets, and supplement it with additional data, arising outside of accounting, to clarify it [Bauer, 2018, p.39].

The inclusion of comparative data as of the end of the past fiscal year in addition to the current year's reporting data makes the cognitive value of the information contained in the financial statements greater. This makes it possible to carrying out a more in-depth analysis, resulting in an assessment of the overall activities of the business unit and the development trends that can be observed [Bauer, 2018].

Making accurate economic decisions may not be possible without the supply of comprehensive and reliable economic information. This is because, on their basis, business entities make strategic and operational decisions, often determining the future of the enterprise. Information used in decision-making processes is synthetic or analytical in nature. Synthetic information is interpreted and analyzed based on available accounting tools. Analytical information, on the other hand, is used to explain the causes of change and the effects and factors that shape the economic indicators of the enterprise.

The consequences of all economic decisions made by business entities are concentrated on financial grounds. Therefore, companies must take into account the financial criterion in addition to other important aspects, i.e. legal, organizational or personnel. Acquiring the ability to carry out a methodologically and substantively appropriate assessment of the financial condition of an enterprise is one of the most essential elements of management. The information contained in the annual financial statement is the link between accounting, finance and business management. Financial statements provide an overview for both managers, owners and wider stakeholders. The importance and role of financial statements in the operation of business entities is presented [Świeboda, 2017, p.262].

Also, cost accounting issues have received widespread attention in recent years. Dynamically evolving environment and a significant degree of complexity of manufacturing processes obliges to compose such systems and solutions as to cost accounting, which allow rapid and reliable acquisition of information. It is also possible to observe significant changes in the structure of costs, incurred by the enterprise. Cost accounting systems in traditional terms, unfortunately, are not able to meet the decision-making needs of the organization's management every time. Therefore, it is increasingly common for companies to reach for modern cost accounting solutions and concepts, slowly becoming a strategic necessity [Świeboda, 2017].

Historically, cost accounting distinguished itself first in relation to cost management. In practical terms, it arose in enterprises during the industrial revolution, and its most important task was then determined by calculating the actual full unit cost of products [Sobańska 2010].

Since then there has been a dynamized development of the issue of cost accounting. This dynamism was reflected in the formation of its various models and varieties. Cost accounting is a relatively separate subsystem in the accounting information system of an economic entity, where the processing of information takes place in accordance with the adopted model [Jarugowa, Malc, 1983, p.44].

Cost accounting can be defined in the shortest terms can be defined as the determination of the cost of doing business in accordance with a specific formula. A number of principles and procedures are defined as a cost accounting model, according to which the transformation of cost information on the considered cost reference objects is carried out. The key goal is to adapt them to the specific information needs of the business unit's stakeholders. Traditionally, two basic groups of users of information provided by cost accounting are distinguished: external and internal. Since these stakeholders have a variety of information needs, they are met with different cost models [Jarugowa, Malc, 1983].

In summary, activity-based costing is an important management accounting tool for measuring and locating a company's costs, taking into account services, distribution channels or customer characteristics. It makes it possible to determine which of the products or services produced in a given period are the most profitable [Świeboda, 2017, p.34].

3. The place of the controller in the structure of the enterprise and its tasks

The ways of placing in the organizational structure of the company the activities undertaken by the controller can be classified into two groups:

- lack of initiative to separate controller positions,
- introduction of separate jobs.

In small companies, with an uncomplicated organizational structure, a centralized method of management is generally adopted. The scheme of controlling is clear, tailored to the characteristics of this type of economic organization. It consists of one position, and the function of the controller is performed by one of the deputy general managers. Controlling should be an element of assistance in better management of the company, but not interfere with other activities for which the controller's unit is responsible. Business practice recognizes in given cases the combination of such responsible duties as not very appropriate, because it is not easy to reconcile managerial functions with tasks characteristic of the controller. In such situations, it is worth considering the implementation of the controlling concept through the creation of task forces or entrusting them to external specialists under the so-called outsourcing [Neserak, 2016, p.216].

Within task teams, working groups are distinguished: executive, advisory, coordination and decision-making. The composition of personnel and the main tasks of the groups are subject to flexible changes in consideration of emerging needs. It is indicated that the controller from outside has more experience in the development of controlling concepts [Neserak, 2016].

Leaving aside the differences in the scale of the company's operations and the location of controlling in the organizational structure, the person in charge of controlling is an important economic advisor to the management. Managers can benefit from his knowledge.

The International Group of Controlling (IGC) stated that the controller has the following tasks:

- ensures transparency of finances, processes and strategies, which allows the company to maintain a high level of economy,

- coordinating objectives and sub-plans into a single whole,
- organizing a forward-looking information system,
- shaping the controlling process,
- enabling access to the data and information necessary to achieve these goals,
- shaping and constantly taking care of the controlling system [Weber, 1997, p.182].

As shown in Table 1, the silhouette of a controller can also be considered in the following categories: recorder, navigator and innovator.

Table 1. Functions and tasks of the controller in an enterprise

Silhouette	Type of environment	Tasks of the controller
DVR	Relatively stable	Transmission of data on past economic processes Does not participate in the decision-making process
Navigator	Variable	Prevention of errors Eliminate deviations Participate in the decision-making process
Innovator	Turbulent (dynamic)	Energetic innovation activities Improvement of adopted solutions in the economic system Application of modern solutions Participation in management
The economic conscience of the company	Very dynamic	Strategic foresight

Source: K. Czubakowska, Functions and tasks of a controller in an enterprise, *Prace Naukowe AE we Wrocławiu* 1995, No. 698, p. 86.

The location of the unit responsible for carrying out controlling tasks in an enterprise depends on a number of factors. Particularly noteworthy is the size of the enterprise, understood, among other things, by the number of employees, the scale of turnover or the amount of share capital.

4. Stages of implementation of controlling in the enterprise

The process of implementing a controlling cell requires first of all the creation of an appropriate department or position in the enterprise to deal with these aspects. This is due to the need to transform the organizational structure to include the new controlling organizational unit. At a further stage, it is necessary to hire or select from among the existing employees a controller, i.e. a person for the newly created position [Walica, 2007, p.172].

From the point of view of modern management, the ability to design controlling systems is a matter of great importance. In order to proceed with the project, it is first necessary to define the concept of a controlling module. Under this concept is the subject and organizational structure of the business entity with all the specifics of operation [Krzepkowska, 2008, p.42-43].

Factors affecting the placement of the controlling unit in the structure of the enterprise are (after M.Krzepkowska) [Krzepkowska, p.13]:

- demand for innovation,
- normative principles of the organizational unit, e.g. management style,
- the tradition of controlling in the enterprise, whether the unit has any experience in the framework of controlling,
- the state of information technology, i.e. the degree of development of communications along with infrastructure (computer network),
- the size and types of resources owned,
- the management processes of the organization's culture,
- the type of production processes and its technique and technology,
- the variability of the environment in which the entity operates,
- competitiveness of the product,
- the size of the enterprise in comparison with the industry.

The elements of controlling design on the example of strategic controlling are illustrated in Figure 1.

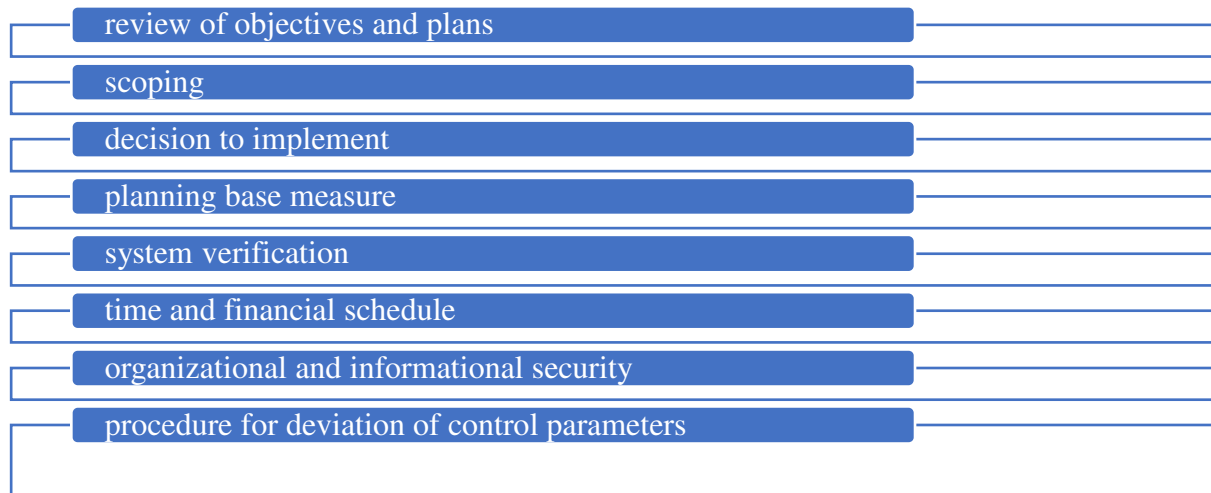


Figure 1. Elements of strategic controlling design

Source: M. Adamczyk, Controlling system in ABC company, *Zeszyty Naukowe PWSZ w Płocku Nauki Ekonomiczne*, vol. XXII, 2015, pp. 10-11.

Implementing controlling in a company involves adopting an appropriate mindset aimed at achieving the company's goals. This should be observed in the simplest day-to-day activities and in making more or less important decisions at every level [Sierpińska, 2004, p.66].

The implementation of controlling is a process of several stages, which should be spread out over time. It should be treated systemically, comprehensively considering and taking into account all relevant elements. It is necessary to analyze specific internal dependencies and connections with the environment. The stages of implementing controlling that are described in the literature are generally three. Sierpínska and Niedbala defines them as follows [Sierpińska, 2004]:

- 1) stage I - preliminary activities: gaining initial management approval for the idea of a new management system, defining the main objectives for controlling, appointing an implementation team, training employees in the controlling system, evaluating the solutions used so far and possible changes that controlling will cause,
- 2) stage II - design of organizational changes in the field, definition of strategic and operational objectives, evaluation and verification of the adopted solutions and decision-making process,
- 3) stage III - introduction of controlling aimed at: - development of detailed guidelines, procedures, planning and accounting documents and implementation schedules on the basis of previously adopted and accepted solutions, and correction of solutions of the system in operation [Sierpińska, 2004, p.26].

Implementation of the controlling system will not do without the development of an information system (computer software). It is important to convince the persons and organizational units concerned of the cost-effectiveness, efficiency, possible effects and the possibility of enforcing the responsibility of those who are employees or managers in the unit.

The process of implementing controlling usually requires a transformation of the organizational structure, a change in management style, especially the use of an incentive system, as well as a change in the planning and control system and the related information system reporting, allowing reporting. In addition, it is necessary to bear in mind the change of accounting records and cost accounting, especially the use of management accounting, technical and technological development of the information system and the construction and operation of appropriate computer programs, as well as ways to manage the enterprise [Walica, 2007, p.172]. In the organizational area, the controlling system is related to the creation of an organization structure based on responsibility centers [Sierpiska, 2004, p.32].

Thus, the creation of separate positions and units of controllers undoubtedly represents an important phase of the implementation of the controlling system. As Chachula writes: "At this stage, the separation of responsibility centers, the establishment of a management style, the implementation of new organizational procedures and the selection of appropriate management tools are also carried out" [Chachula, 2006, p.32].

Controlling should definitely be oriented to bring specific results to the enterprise. To facilitate this, the decision to start a controlling department must be preceded by a thorough analysis of information needs and the specification of the tasks that controlling should perform. It is the degree to which these tasks are carried out and the company's information needs are satisfied compared to the real cost of operation that acts as a determinant of the "profitability" of maintaining a controlling department. This process is not quick and easy, as described in this subsection. It requires an individualized approach to each company, as well as the inclusion and application of appropriate stages.

5. Benefits and barriers of controlling in the enterprise

The effects that the introduction of a controlling system can give to a company can be considered on several levels. As one of the more valuable groups of effects, the possibility of faster managerial response to changes observed inside as well as in the enterprise environment is indicated. In this regard, the benefits of controlling consist, for example, in finding the causes and leveling the deteriorating financial liquidity of the organization, the accurate adjustment of

the production and commercial offer to the changing needs of customers, improving the mechanisms of management through more efficient use of existing factors of production [Marciniak, 1996, p.10].

The implementation of controlling in an organization should bring many financial and qualitative benefits. In terms of financial benefits, it is worth noting that the decisions made in the market are made more flexible and the speed of response to changes in the broad environment is optimized, liquidity is increased and kept at a high level, and production costs fall.

Possible benefits of a qualitative nature that result from the implementation of controlling include, for example, staff having more complete and insightful information, greater reliability of the information they have, and enabling the use of various innovative management techniques. It is also observed that the planning and control function in the enterprise is definitely better secured [Bek-Gaik, 2006, p.352].

In addition to the benefits, one undoubtedly also finds a number of barriers that may arise in the introduction of controlling in the enterprise. The biggest obstacle seems to be the reluctance of employees to assimilate the novelties and the fears associated with them. The term "controlling" itself often arouses mixed feelings, as it is mistakenly associated uniquely with the word "control." This is due to the lack of knowledge and unawareness of the company's employees, which is worth working on. For this purpose, such tools as training, identification of potential career paths will work, which can significantly contribute to the elimination of the discussed psychological barriers in the employees in question [Sierpińska, 2004].

Another problem can be technical barriers, which are most often related to:

- with the lack of a modern information system;
- with the use of archaic ways of recording costs, which leads to unreliable compilation of data,
- with the lack of proper links between the delegated level of responsibility and the authority held,
- with insufficient staff qualifications,
- shortage of staff experienced in controlling [Sierpińska, 2004].

Technical problems are usually peculiar to small and medium-sized enterprises, as they are unlikely to have the financial resources to cover the considerable expenses of introducing controlling. It is easier to introduce controlling in established companies.

A similar approach is taken by Szczepankowski, who primarily singles out among the barriers:

- psychological barrier,
- technical barrier,
- accounting barrier,
- organizational barrier,
- personnel barrier [Szczepankowski, 2007, p. 174].

A slightly different approach is presented by Kozinski, who counts among the most significant barriers to the implementation and use of controlling that may arise: the barrier of economic-management knowledge. This refers to the lack of knowledge of managers and executive staff in the area of technical and production functions of the enterprise, and the barrier of organizational (un)preparation [Kozinski, 2002, p.63].

Practical research conducted in retail chains suggests that one of the most significant obstacles in the process of implementing controlling is the knowledge barrier. Too low awareness of the usefulness of controlling among managers, the lack of tools (quantitative and qualitative indicators) dedicated to retail chains, the need to adapt tools (such as ABC analysis, XYZ, SWOT, benchmarking, management by objectives) from other areas of management, were most often indicated as sources of resistance to the impression of controlling in the organization [Kuźniarska, 2019].

6. Conclusion

Securing the information necessary for decision-making requires systematic recording of the effects of business events related to the operation of enterprises. However, record-keeping alone is insufficient to generate adequate economic information. This is because this information requires appropriate processing of the data recorded in the accounting books. Accounting is expected to provide economic information that enables its recipients to formulate reasoned opinions and rational decisions.

Financial reporting is the result of appropriate processing of data recorded by accounting. It contains information that is of interest to a wide range of recipients, from owners through potential investors wishing to purchase shares of a given enterprise, banks assisting enterprises with loans and credits, suppliers, the tax office, the statistical office, research

institutions, etc. The mentioned recipients, are outside the enterprise. They are generally interested in various aspects of the enterprise's financial situation.

Often they do not know exactly the object of its activity, the circle of customers, competitors, which is important for management processes. Instead, they are interested in the financial condition, the possibility of continuing operations and development of the enterprise. Their needs are subordinated to the information content of the financial statements. Therefore, the financial report is designed to provide its addressees with information about the economic resources of enterprises, claims on these resources and the results of business activities.

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